# MONEY MATTERS

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CI ASSANTE
WEALTH MANAGEMENT

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## HOW SEVERE IS INFLATION IN THE US?

According to the Bureau of Labor Statistics, on December 10th, 2021, The US inflation rate rose 6.8% over the last year, the highest increase since 1982.

While economists have been divided over the concern the federal government should have over inflation, some have pointed out that while inflation has been rising, the unemployment rate has remained low and wages have been increasing. And while consumer confidence has dropped because of inflation, spending has been strong with retail sales rising in October.

According to Felix Richter, data journalist at Statista, "When inflation spiked in the spring/early summer of this year, it was largely due to the so-called base effect, caused by the pandemic's cooling effect on consumer prices a year earlier. At the onset of the pandemic, prices had taken a dive due to a sudden drop in consumer spending and fuel demand before slowly climbing back to their pre-pandemic trajectory over the summer and fall. Due to that initial dip in consumer prices, year-over-year comparisons were always going to be exaggerated this year, as last year's prices were unnaturally low.

So are inflation fears justified or is it still too early to ring the alarm bells? Back in April, the Federal Open Market Committee said that it was going to aim for "inflation moderately above 2 percent for some time" before raising interest rates to achieve a long-term average of 2 percent inflation. And while it's unclear how the committee defines "moderately above" and "for some time", its long-term goal of 2 percent inflation is clear.

To eliminate the short-term effects of the pandemic, we calculated the average annual inflation rate over a moving three-year period, yielding a curve that fluctuated around 2 percent for a long time, until it took off this summer. In October the three-year average inflation rate hit 3 percent, indicating that the latest spike in consumer prices is more than just a statistical blip and should be taken seriously."

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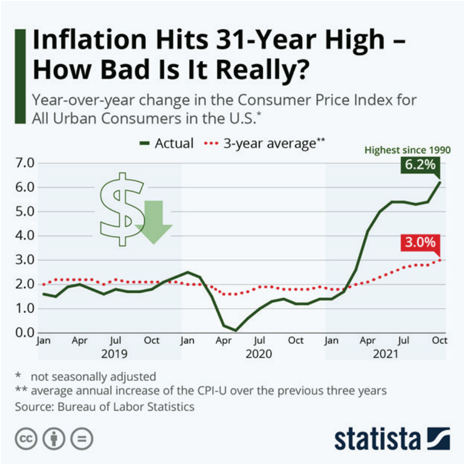
### More in this Issue




## HOW CAN YOUR INVESTMENTS IMPACT GLOBAL WARMING?

The COP 26 summit in Glasgow was held in November 2021 highlighted the painful reality that the world is failing to limit global warming to 1.5°C above pre-industrial levels, despite promising to do so in the Paris agreement of 2015. Yet the summit put a series of new procedures in place that keep alive the possibility of reaching that goal, provided of course that countries agree to embrace drastic measures.

The latest report from the United Nation's Intergovernmental Panel on Climate Change stated that human-induced climate change is already responsible for extreme weather conditions, and that even more warming is assured, even if emissions are cut.

Naturally many investors are concerned about mitigating the effects of climate change and have been expressing support for Environmental, Social and Governance measures, or ESG factors by embracing ESG funds and ETFs in recent years.

According to Morningstar Direct, global ESG fund assets increased to $2.24 trillion in June 2021 from $1.65 trillion at the end of 2020 and $1.28 trillion at the end of 2019. In the U.S., ESG fund assets under management reached $330 billion in September 2021, up from $236 billion at the end of 2020.

However, are all these funds doing what they promise to do and how much greenwashing is going on?

In August 2021, the U.S. Securities and Exchange Commission (SEC) and Germany's financial regulator, BaFin, started looking into allegations that Deutsche Bank AG's asset management arm, DWS Group, overstated the environmental merits of some of its ESG products. These claims have been denied by DWS Group.

This investigation is a warning sign for ESG funds. Gary Gensler, the Chair of SEC, has said that he directed his staff to consider whether fund managers should disclose the criteria they use when branding funds as "green" or sustainable.

According to the U.K. based non-profit InfluenceMap, more than half of funds that claim to be low-carbon or green energy exaggerate their merits.

After the European Union's anti-greenwashing rules took effect in 2021, the Global Sustainable Investment Alliance reported a US$2-trillion decrease in the size of Europe's sustainable investment market, which suggests that there was considerable exaggeration in claims made by many ESG fund managers.

## How Are Regulators Reacting?

Regulators around the world are taking note and investors should too. The CFA institute attempted to address this issue in 2020 by requiring voluntary ESG disclosures. So far, their focus is on disclosure in terms of describing products rather than prescribing features an ESG product must have. This means that it is up to investors to check the products and they should not trust the labels.

Interestingly the Investment Funds Institute of Canada's submission to the CFA consultation said that without minimum requirements for naming ESG products, the proposed standards "could facilitate rather than mitigate 'greenwashing'".

The Responsible Investment Association has said it wants to develop its own fund-certification framework to complement CFA disclosures.

However, when disclosures are not mandatory, determining which issuers belong in a fund can be challenging. Therefore, regulation may be coming for issuers themselves as Ontario Securities Commission has said it would introduce climate disclosure requirements for public comment before the end of its fiscal year in March 2022.

In the meantime, the onus is on investors to determine how they can help the environment by the way they invest.

## How Can Investors Make a Real Positive Impact?

One thing to keep in mind is that when you are investing in shares of a publicly traded company, you are not supporting that company's earnings. In other words, your money will not help those businesses to increase their mining activities or make harmful products (such as tobacco products or arms). Instead, by buying the stocks of these companies you would just be buying a piece of that business on the open market and you would have a share in their profits.

While morally you may not wish to share in the profits of

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companies that pollute the environment or make harmful products, the best way to ensure that you are hurting the profitability of these companies is by voting with your wallet, which means by not buying their products or services. When you purchase stocks of these companies or ETFs that include their stocks you are not financially profiting these companies but when you purchase their products and services you are directly contributing to their bottom line. Therefore, buying a Socially Responsible mutual fund or ETF is not going to help make the world a better place but not purchasing the products and services of the companies that are not socially and environmentally responsible will.

## How Green is Your Bank?

When it comes to Environmental, Social and Governance measures or ESG factors, banks are usually considered the cleanest and greenest businesses. But have you ever thought how much your bank contributes to fuel emissions not just by its own operations but also by its lending activities?

Vancouver City Savings Credit Union recently released a report showing annual greenhouse gases emitted by its business and consumer borrowers total 105,000 tonnes or 36 times those of its own operations.

It is the first Canadian financial institution to release such a report, but it will not be the last.

These are financed emissions that are getting a lot of attention recently.

Tallying up green house gas emissions by a financial institution and its borrowers is not an easy task. Banks lend, on their own or in syndicates to a variety of businesses so they can grow and expand their business. Sometimes the activities of these businesses are carbon intensive. Think about oil sands producers who are all financed by banks.

In addition, banks finance the purchase of millions of houses and cars by consumers that each have their own emissions profile. Add to that the mutual funds that the banks own and the emissions profile of all the businesses that they invest in, and you can get an idea of the complexity of calculating total greenhouse gases emitted by a financial institution and its customers.

The financial world's contribution to global emissions took up a big part of the agenda for UN talks in Glasgow, Scotland in November 2021. Financed emissions are a big deal in the discussion as they account for 700 times that of the greenhouse gases emitted by banks and insurers themselves, according to CDP, formerly the Carbon Disclosure Project.

The big Canadian banks are busy compiling their data with regards to financed emissions and TD Bank is the first big bank who is going to issue a report in 2022.

The big banks have made carbon neutrality pledges but have resisted calls from environmental groups to decarbonize by stopping their finance activities in the energy sector. The banks say they are better off supporting Canadian businesses while using their resources to help reduce their clients' carbon emissions.

Once all Canadian banks file their reports on financed emissions, Canadians will have a much better idea as to the enormity of the problem that our country has to solve to achieve its net-zero emissions target.

## TIPS FOR EFFECTIVE USE OF LIFE INSURANCE FOR BUSINESS OWNERS

As a business owner, you have many financial planning needs ranging from building your estate, to managing passive income levels to covering capital gains upon death, where effective use of life insurance can provide solutions.

Here are some tips for you to consider to ensure you avoid pit falls in your planning:

1. Review your shareholders' agreement to ensure it is complete and is signed. Funding a buy/sell agreement using insurance allows the business to redeem the shares of a deceased, disabled or retiring third-party shareholder and life insurance can provide the injection of cash needed when any of these events happens. Having a complete and signed shareholder agreement can prevent many headaches for all shareholders.

2. Make sure there is clear documentation on the use of corporately owned life insurance proceeds. The shareholders' agreement should explicitly state whether a policy's proceeds are to go toward buying the deceased's shares, and whether and to what extent the capital dividend account (CDA) can be used to buy those shares.

3. Ensure that your financial advisor coordinates your estate plan with your estate planning lawyer and accountant to ensure errors are minimized and the terms and objectives of the shareholders' agreement are coordinated with your will.

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4. Make provisions for your liabilities such as lines of credit and loans to be repaid upon death. Since creditors may want to recall or restructure loans when a shareholder dies, shareholders' agreement should include which liabilities will be covered by a policy's proceeds, as well as the order in which the liabilities should be paid.

5. Use the right type of insurance. For example, while term insurance can be used to cover liabilities and debts, to ensure that a business passes on to the next generation your buy/sell agreement should be funded with permanent insurance.

6. Periodically stress-test and update the liability funding amounts, your shareholders' agreement and your company's corporate structure to ensure they continue to serve your company's objectives and are in line with new tax rules.

## TINA TEHRANCHIAN NAMED EMPOWERED WOMAN OF THE YEAR BY THE INTERNATIONAL ASSOCIATION OF TOP PROFESSIONALS


*Times Square - New York City - December 10, 2021*

Tina Tehranchian was recently chosen to receive the Empowered Woman of the Year Award given by the International Association of Top Professionals (IAOTP).

According to the press release from IAOTP, "Her exemplary role as a female business professional and talented entrepreneur displays her influence, capability, and proficiency.

Inclusion with the International Association of Top Professionals (IAOTP) is an honor in itself, only a few women are chosen for this distinction based on their years of experience, professional accomplishments, academic achievements, leadership abilities, and contributions to their communities. With innovation and compassion, these women empower others to reach their goals, while creating change for future generations. Furthermore, Tina was honored for her 2020 selection as Top Senior Wealth Advisor of the Year, 2021 Senior Wealth Advisor of the Decade and for the Empowered Woman Award at IAOTP's Annual Awards Gala that was held at the Plaza Hotel in December 2021. www.iaotp.com/award-gala

The President of IAOTP, Stephanie Cirami, stated 'Choosing Tina for this most recent recognition was an easy decision for our panel to make. She provides visionary leadership as a female entrepreneur and her extraordinary accomplishments prove she will empower women worldwide. We look forward to celebrating all of her merits at the Annual Awards Gala and cannot wait to see more amazing things from this woman.'

## TINA TEHRANCHIAN WAS SELECTED AS ONE OF THE 5-STAR LEADING WOMEN IN WEALTH, BY WEALTH PROFESSIONAL MAGAZINE

In December 2021, Tina Tehranchian was selected as one of the 5 Star Leading Women in Wealth, by Wealth Professional Magazine.

Starting in September 2021, Wealth Professional Magazine invited wealth professionals from across the country to nominate their most exceptional female leaders for the 5-Star Leading Women in Wealth list. Nominees had to be working in a role that related to, interacted with or in some way impacted the financial services industry and have demonstrated a clear passion for financial services.

The Wealth Professional team reviewed all nominations, examining how each individual had made a meaningful contribution to the industry, to narrow down the list to the final 50 women.

## About the Editor

Tina Tehranchian MA, CFP®, CLU®, CHFC®, CIM®, MFA-P™(Philanthropy) is a Senior Wealth Advisor with Assante Capital Management Ltd., one of Canada's largest wealth management firms, offering integrated financial solutions to create wealth and prosperity for you and your family. The 750 advisors serve over 300,000 Canadian families across the country and take pride in the exceptional service they offer to clients through trusted face-to-face relationships and a level of service excellence second to none. Money Matters is published as a special service for clients of Tina Tehranchian.

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